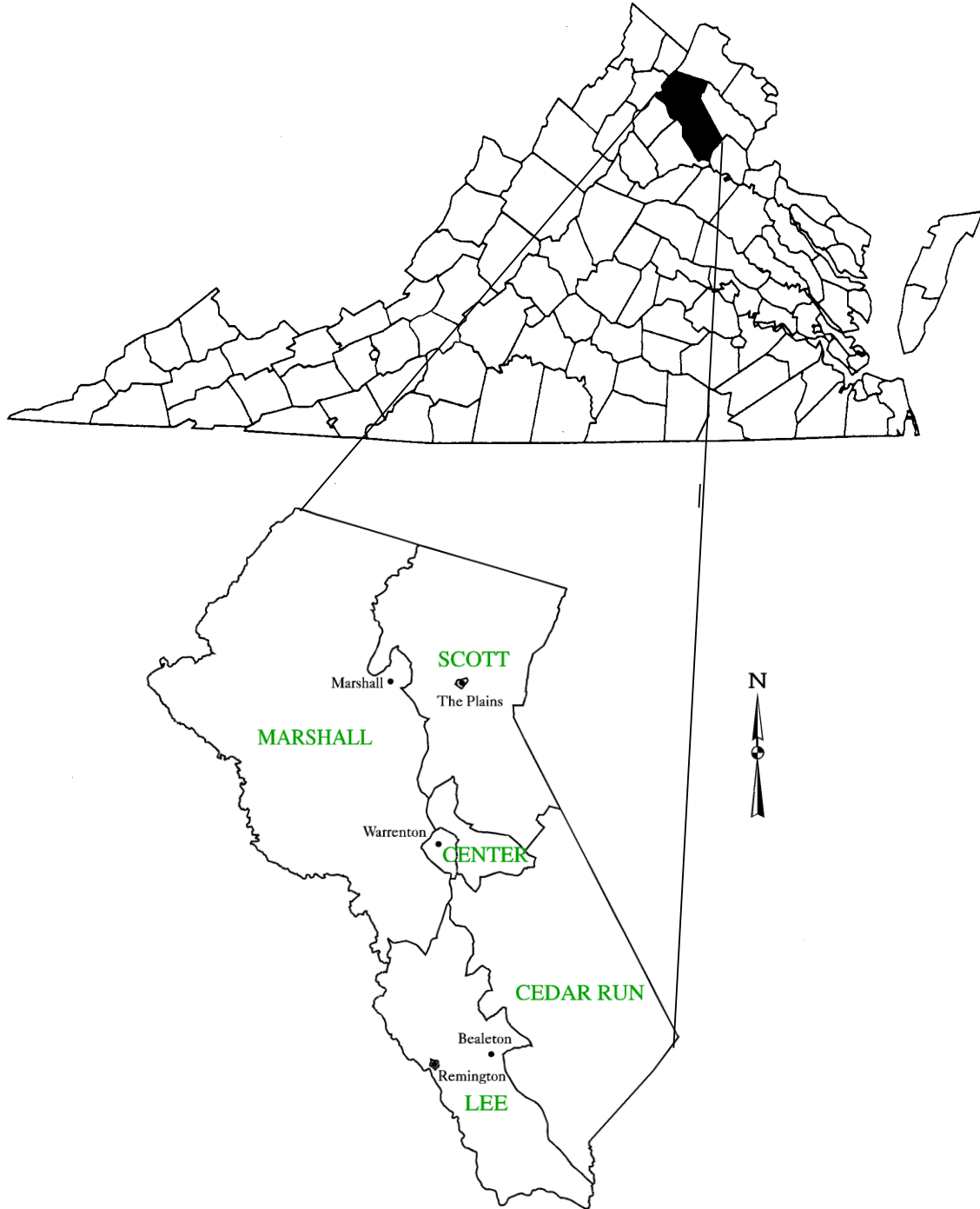


*County of Fauquier,
Virginia*



Background Information



The County of Fauquier is located in the north central Piedmont region of Virginia, approximately 40 miles southwest of the nation's capital and approximately 80 miles northwest of Richmond, the state's capital. The County encompasses a land area of approximately 660 square miles. Fauquier County is bordered by the counties of Prince William, Stafford, Culpeper, Warren, Clarke, Loudoun and Rappahannock. The Rappahannock River forms the county's Western border. Interstate 66 runs East-West through the northern portion of the County. In addition, five U.S. primary routes and two state primary routes traverse the County.

Once part of the Northern Neck Proprietary, a vast English land grant held by the 6th Lord Fairfax, Fauquier County was created in 1759 from Prince William County and named for Sir Francis Fauquier, the Colonial Lieutenant Governor at that time.

Originally populated by the Manohoacs, Sioux tribe, and later used as a hunting ground by the Iroquois, Fauquier's first immigrants were of German and English ancestry. Brent Town, the first settlement, was established in 1686 in Southern Fauquier. The first settlement in Northern Fauquier was near The Plains in 1726.

During the American Revolution, many County citizens served in the Continental Army, including Captain John Marshall who would later serve the country as Chief Justice of the U.S. Supreme Court.

During the Civil War the county was frequently traversed by both Northern and Southern armies. The history of the war in Fauquier County is dominated by tales of the escapades of Colonel

Background Information

John S. Mosby, a Partisan Ranger whose unorthodox and highly effective maneuvers would now be called guerrilla warfare. Significant Civil War sites and activities within Fauquier County are included in the Virginia Civil War Trails.

Recovery from devastation to the agricultural economy following the war was helped by the arrival in the early 1900s of several prosperous Northern businessmen who came to fox hunt during the winter months. Their enthusiasm and investments, combined with Virginia's long history of fine horses, established the area as the Hunt Country capital of Virginia. Today, Fauquier County continues those traditions with the annual Upperville Colt and Horse Show, the oldest horse show in the United States, and Virginia Gold Cup races.

The Fauquier County government is organized under the traditional form of government as defined under Virginia law. The governing body of the County is the Board of Supervisors, which makes policies for the administration of the County. The Board of Supervisors consists of five members representing the five Magisterial Districts in the County: Center, Lee, Scott, Marshall, and Cedar Run. The Chairman of the Board of Supervisors is elected from within the Board of Supervisors and serves generally for a term of one year in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to act as the administrative head of the County, who serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board, and directs business and administrative procedures in the County government. An organizational chart of Fauquier County government may be found on page 14.

In Virginia, cities and counties are distinct units of government and do not overlap. Fauquier County includes the Towns of Warrenton, Remington, and The Plains. The towns provide additional services within their corporate limits as authorized by Virginia general statutes. Property in these towns is subject to County taxation.

Because of its proximity to Washington, D.C., Fauquier County has experienced consistent population growth over the past ten years. Despite the population growth, the County remains primarily rural in nature.

Background Information

Description	Indicator
General	
Area	647.5 miles ²
Population (2011 Estimated)	65,780
County Seat	Town of Warrenton
Median Age (April 2010)	41.3
Unemployment Rate (March 2012)	4.7%
County Civilian Labor Force (March 2012)	37,725
Per Capita Personal Income (2010)	\$51,454
Median Household Income (2010)	\$83,877
Registered Voters (March 2012)	45,858
Towns and Villages	
Number of Incorporated Towns	3 – Warrenton, Remington, The Plains
Number of Villages	21
Households	
Total Number of Households	23,658
Family Households	17,598
Non-Family Households	6,060
% of All Households with own children under 18 years	32.4%
Fauquier County Public School System	
Number of Elementary Schools	11
Number of Middle Schools	5
Number of High Schools	3
Number of Alternative Education Schools	1
Number of Regional Governor's School Affiliations	1
Fall Membership Enrollment (September 2011)	11,196
Fauquier County Library System	
Number of Facilities	5
Number of Patrons Registered (June 2011)	35,650
Sheriff's Office	
Average Response Time (July 2010-June 2011)	16.97 minutes
Fire, Rescue, and Emergency Services	
Number of Fire-only Stations	1
Number of Rescue-only Stations	1
Number of Combined Fire & Rescue Stations	9
Parks and Recreation	
Number of State Parks and Forests	2
Number of County Parks and Recreation Facilities	35
Number of Wildlife Management Areas	3
Total Acres Maintained (Land and Water)	1,043 acres

Background Information

Fauquier County's Top 10 Employers

1. Fauquier County School System	6. Food Lion
2. Fauquier Hospital System	7. Warrenton Overlook Health & Rehab Center
3. Fauquier County Government	8. Town of Warrenton
4. US Department of Transportation	9. Oak Springs Nursing Home
5. Wal-Mart	10. Pearson Government Solutions, Inc.

Source: Virginia Employment Commission.

Fauquier County's Major Industries

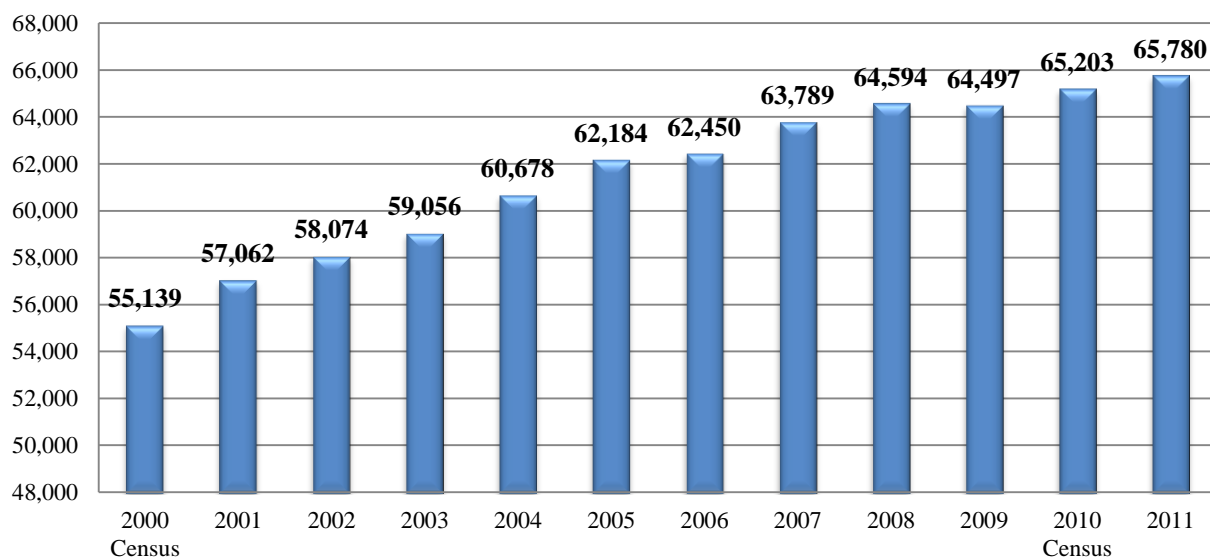
1. Educational services, health care, and social assistance
2. Professional, scientific, management, administrative and waste management services
3. Retail trade
4. Public administration
5. Manufacturing
6. Construction
7. Arts, entertainment, and recreation and accommodation/food services
8. Other services, except public administration
9. Agriculture, forestry, fishing and hunting, and mining
10. Transportation, warehousing, and utilities
11. Information
12. Wholesale trade
13. Finance and insurance, and real estate, rental, and leasing services

Source: United States Census 2010 American Community Survey. Based on civilian employed population 16 years and over.

Population

The County's population increased 1.6% annually on average since the 2000 Census. Growth has slowed since the recession with the decline of new housing starts and home sales.

Fauquier County Population

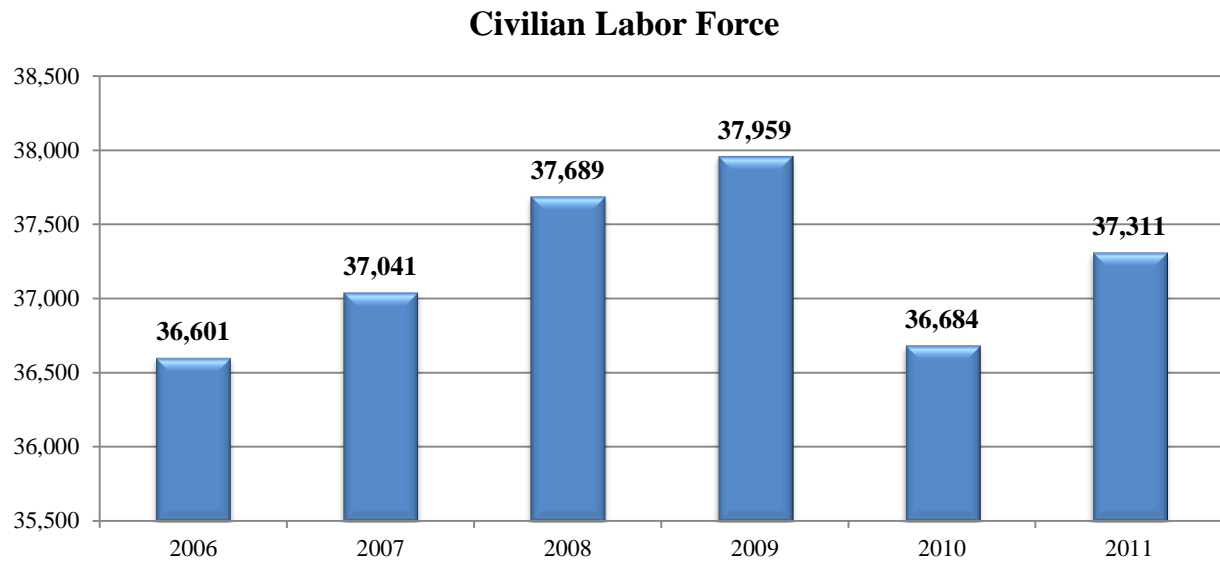


Source: Weldon Cooper Center for Public Service. University of Virginia. Values as of July 1 per year.

Background Information

Employment

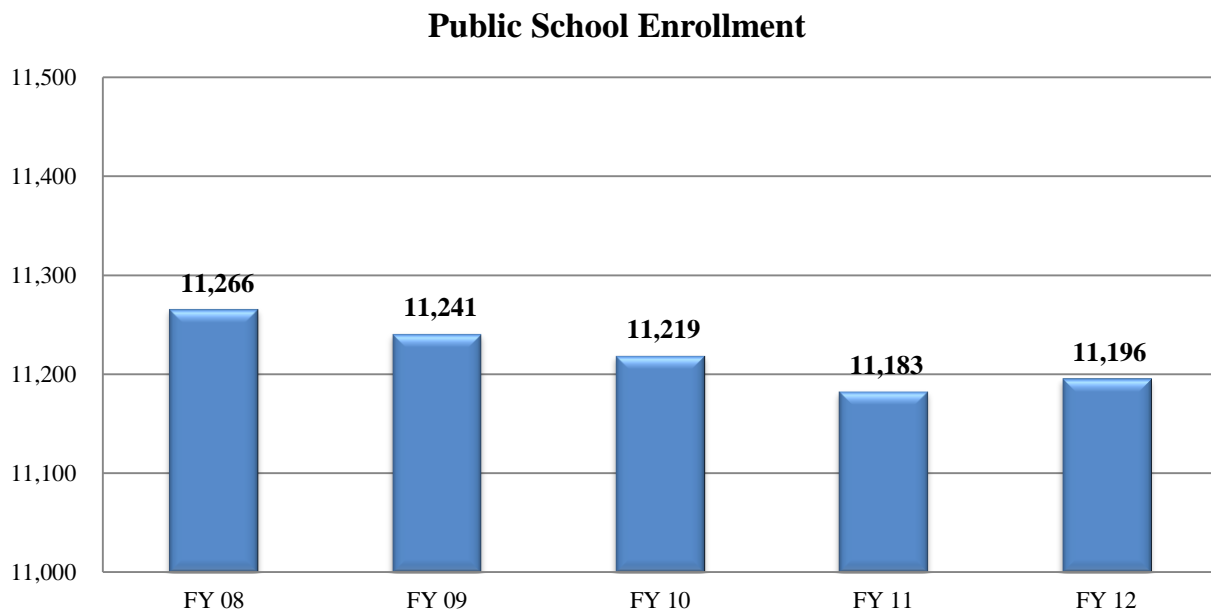
While the civilian labor force fell between 2009 and 2010, signs of rebounding job availability and individuals seeking employment have been observed more recently.



Source: Virginia Employment Commission.

Public School Enrollment

Public school enrollment has continued a slow decline since 2008, largely reflective of declines in residential construction.



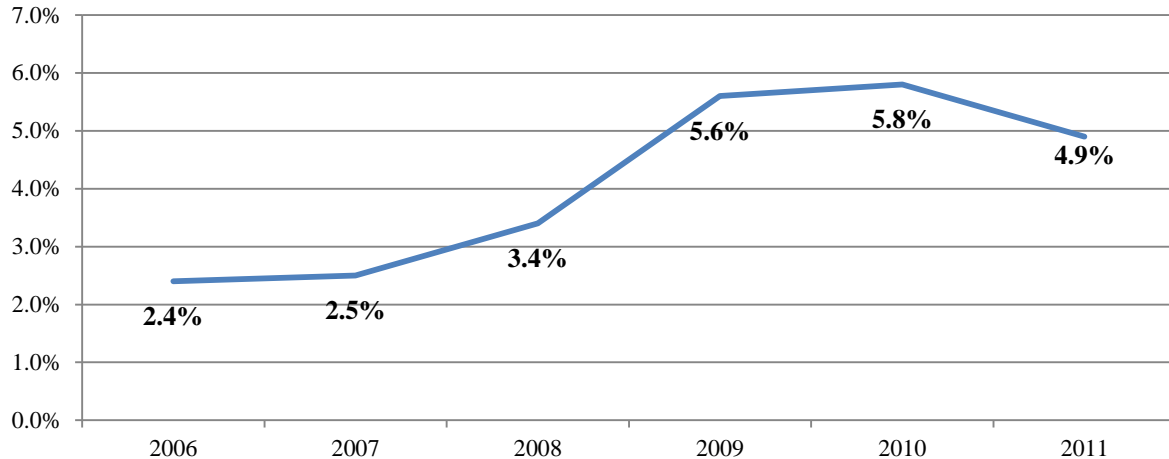
Source: Fauquier County Public Schools Annual Reports. Figures based on annual fall membership as of September 30th.

Background Information

Unemployment

Fauquier County's unemployment rates increased significantly between 2008 and 2010. Unemployment has fallen over the last 24 months and remains below the national and state averages, although it remains near historical highs.

Annual Unemployment Rates

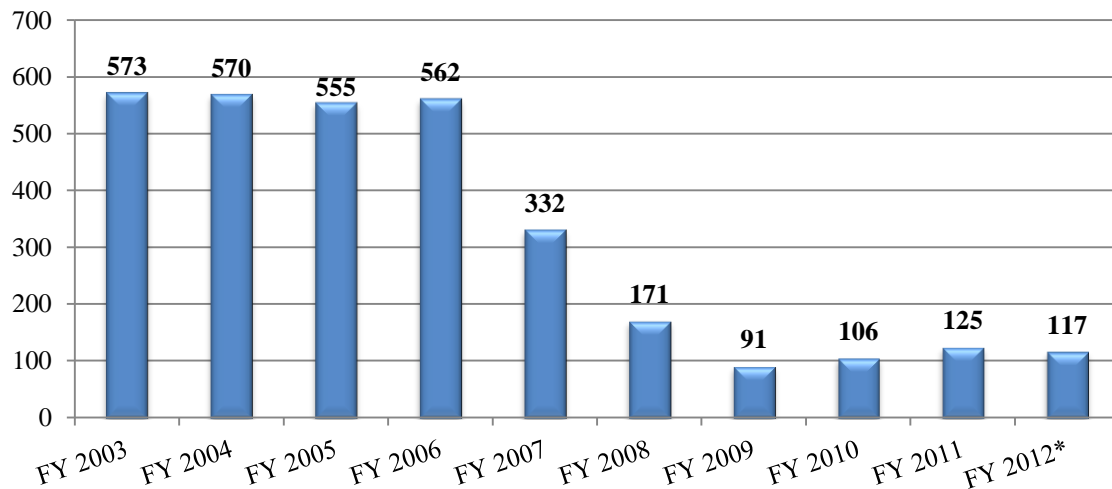


Source: Virginia Employment Commission.

New Housing Starts

New housing starts reached historical highs between Fiscal Year 2003 and 2006, and declined by an annual average of 45% beginning in 2007. While annual values have not returned to the height of FY 2003, year-over-year increases of 16%-17% were observed in FY 2010 and FY 2011.

New Housing Starts

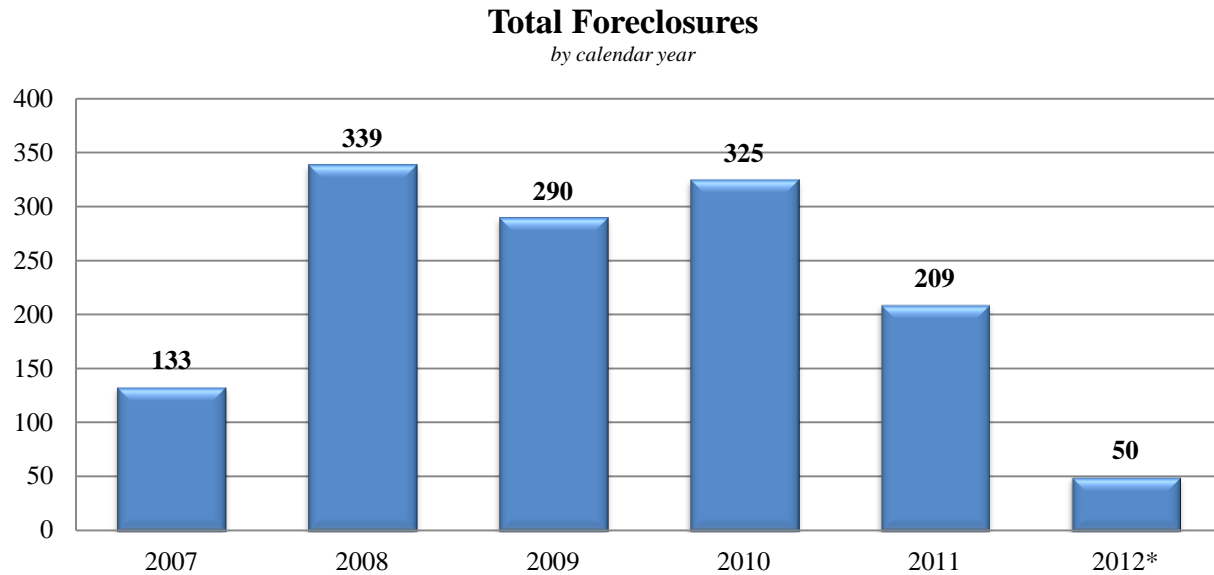


* Fiscal Year 2012 data through April 2012. Source: Fauquier County Department of Community Development.

Background Information

Foreclosures

Foreclosure filings have declined steadily since 2010. The percentage of foreclosures to overall transfers continues to decline with a 10% average in 2011 and the beginning of 2012, down from a 17% average in 2010.

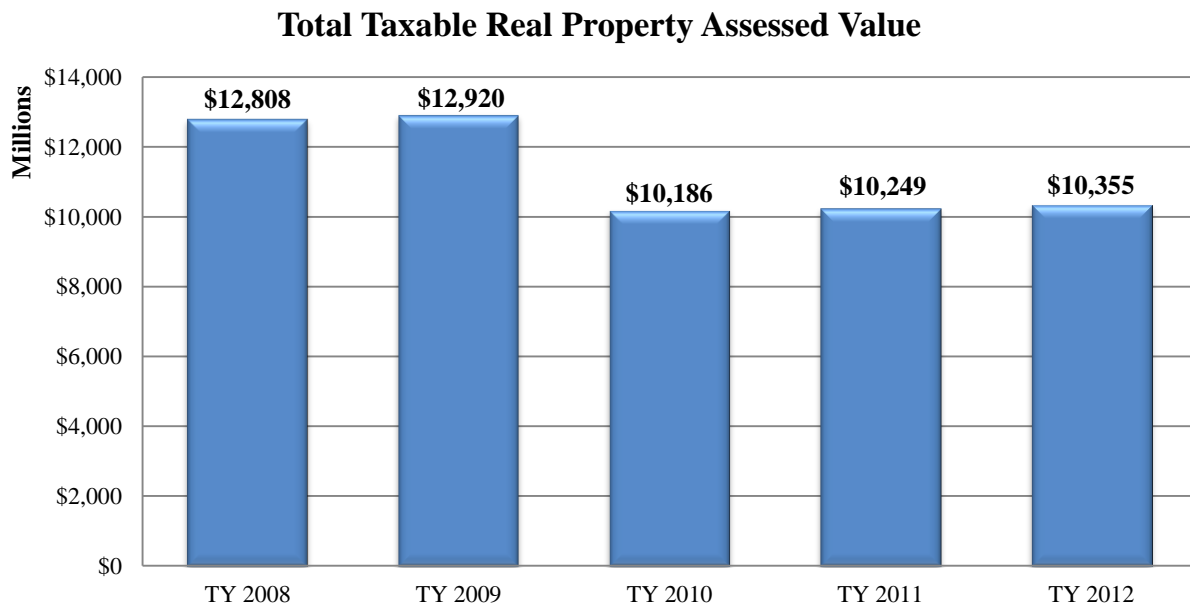


Source: Clerk of the Circuit Court.

*2012 as of April 30, 2012

Real Property Assessed Values

Fauquier County reassesses real property on a quadrennial basis. The latest reassessment, effective January 1, 2010 was indicative of the recession's impact on property values. Increases in Tax Year 2011 and 2012 are reflective of adjustments to tax exempt property, minimal residential development, and the recent addition of new utility lines.



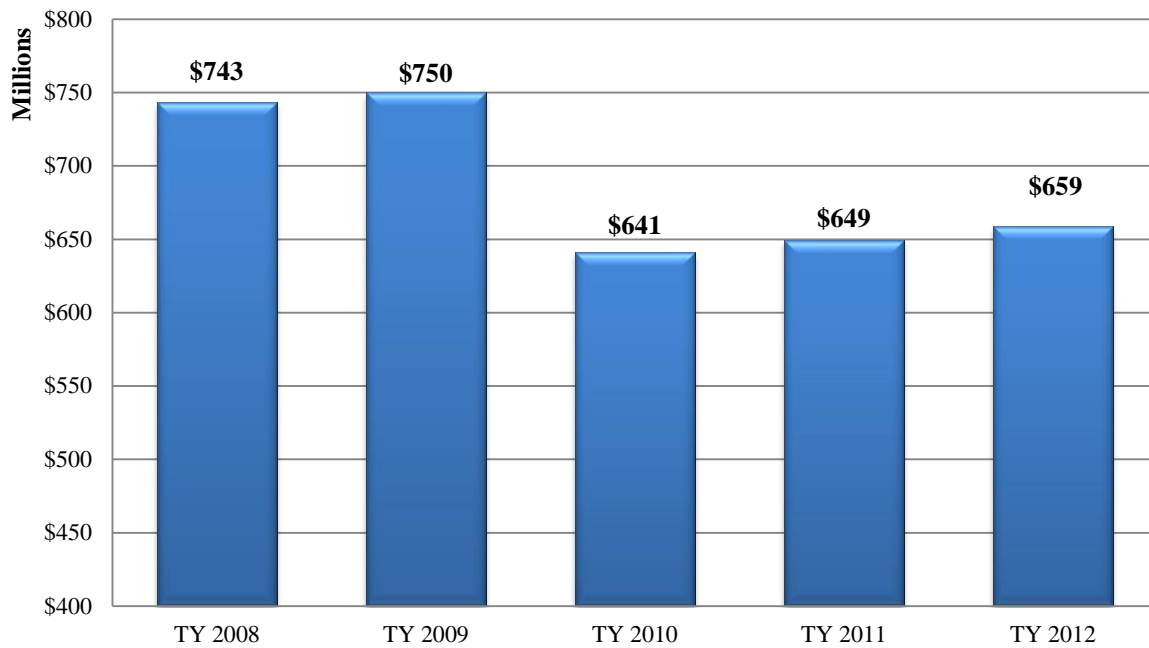
Source: Fauquier County Commissioner of the Revenue. Assessed Values includes residential, commercial, agricultural, and public service.

Background Information

Personal Property Assessed Values

Fauquier County reassesses personal property on an annual basis. Personal property values increased between Tax Year 2011 and Tax Year 2012 due to new vehicle purchases and minimal depreciation to the existing stock.

Total Taxable Personal Property Assessed Value



Source: Fauquier County Commissioner of the Revenue.

Mission Statement, Strategic Goals, and Priorities

Fauquier County Mission Statement

Working within the theme of “Progress with Reverence for Heritage” and with a strong commitment to the accomplishment of meaningful improvements to the efficient, effective, and open conduct of the County government, and to the public health, safety, and welfare and educational opportunities, the Fauquier County Board of Supervisors seeks, within the bounds of fiscal integrity, to preserve the physical beauty, historical heritage and environmental quality of the county while ensuring that population growth and development is a positive force on the general welfare of the community.

Strategic Goals

1. Balance Quality Service with Fiscal Integrity.
2. Manage Growth in a Manner which Protects the County’s Agriculture, Environment, Quality of Life, and Historic Resources.
3. Conduct County Government Openly.

The Board’s mission statement and strategic goals provide a guiding framework for the county government to align activities and resources in response. Departments and offices track their progress toward management objectives through the use of performance measurement and operational feedback mechanisms. The management objectives serve as the focal point for the allocation of resources throughout the year and during budget development. Combined with the County’s performance measurement regime, these data have proved instrumental in managing the County’s operations during the current economic recession.

Legislative Priorities

The Board of Supervisors adopted the following legislative goals on October 13, 2011, as part of its 2012 package for the General Assembly:

State Reduction in Revenue for Local Governments

- ✓ Fauquier County supports a lump sum increase of \$60 million in “Aid to Localities” in the FY 2012 state general fund to counteract the lump sum reductions imposed upon localities in FY 2011.
- ✓ Fauquier County urges the General Assembly to maintain its commitment to current and former employees by fully funding obligations incurred by the Virginia Retirement System.

Mission Statement, Strategic Goals, and Priorities

Comprehensive Services Act for At-Risk Youth

- ✓ Fauquier County supports the General Assembly requiring that any changes in CSA law, policy or implementation guidelines benefit not only the State but also local governments.
- ✓ Fauquier County supports the current CSA rate structure remaining in place for the 2012-2014 biennium as it has led to significant improvements in community service capacity.
- ✓ Fauquier County opposes any changes to CSA policy that would further shift costs from the State to localities.

Line of Duty Act Funding

- ✓ Fauquier County supports local governments, which have opted out of the state program, being empowered to administer their own LODA obligations.
- ✓ Fauquier County supports LODA providing a right of appeal to not only claimants, but to local governments as well.
- ✓ Fauquier County supports the General Assembly creating a commission modeled on the Mandated Health Benefits Commission to consider and make recommendations on any proposed expansions of the presumption benefit.

Education Funding:

- ✓ Fauquier County supports fair-share state funding for public education to include the full funding of the Standards of Quality.
- ✓ Fauquier County encourages recognition by the Commonwealth that its current policy of using full assessed value in the calculation of the Composite Index penalizes localities that employ land use valuation, and is inconsistent with its land preservation goals and policies.
- ✓ Fauquier County seeks the establishment of an appeals process for local governments to challenge the computation of their Composite Indexes.
- ✓ Fauquier County seeks continued and increased state funding to assist localities with school-related capital costs.

Local Government Revenue, Land Use and Zoning Authority

- ✓ As a general policy position, Fauquier County opposes any measure that would eliminate or reduce any local government zoning, land use or revenue authority.
- ✓ Fauquier County strongly supports equal taxing authority for cities and counties and supports an expansion of local government taxing authority—particularly to generate revenue to fund necessary capital projects and infrastructure.
- ✓ Fauquier County supports enabling legislation which would provide for the ability to choose either a proffer policy or an impact fee system at the local level. The County believes that local governing bodies are in the best position to determine which tools will work most effectively for each situation they face.
- ✓ Fauquier County supports making the use of Urban Development Areas, as currently defined in the Code of Virginia, optional for all localities in the Commonwealth.
- ✓ Fauquier County supports the restoration of local government authority to regulate alternative waste water systems for the benefit of the public.

Mission Statement, Strategic Goals, and Priorities

Purchase of Development Rights and Conservation

- ✓ Fauquier County supports increased State funding for the purchase of conservation easements and other land conservation needs.

Libraries

- ✓ Fauquier County supports a three year plan to bring Virginia's public libraries to full funding of the state aide formula. Starting from a base of \$14.5 million in FY 2012, the County supports an increase of \$2.5 million in FY 2013, \$5 million in 2014, and \$7 million in FY 2015.

Transportation Priorities

- ✓ Fauquier County strongly and vehemently opposes the devolution of the State's secondary road maintenance responsibilities onto local governments.

Long-Range Financial Plan

The Fiscal Year 2013 adopted budget incorporates assumptions regarding financial planning beyond the current fiscal year. Long-range planning is essential for several reasons:

- Assumptions regarding the use of fund balance must be assessed to determine their feasibility over multiple years.
- Revenue projections are central to determining the impact of the FY 2013-2018 Capital Improvement Program on debt service and compliance with the Board of Supervisors' financial policies.
- The impact of policy decisions and economic factors on projected revenue and expenditures provide an early indication of potential decision points for County policymakers over the next several years.

Fauquier County's long-range financial plan incorporates assumptions regarding future tax assessments and rates of collection, as well as the potential impact of labor, benefits and inflation on overall expenditures. While useful as an assessment of fiscal sustainability, the reliability of the long-range plan as a predictive forecast can be somewhat problematic; as such projections rely upon numerous variables that are subject to a combination of revision as a result of deliberate policy decisions, as well as the impact of economic circumstances that are frequently not anticipated in advance. The long-range plan is therefore most useful as a model to forecast the impact of current decisions over time.

General Fund Long-range Forecast *FY 2013 - 2018*

Description	FY 2013 Adopted	FY 2014 Estimate	FY 2015 Estimate	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate
Beginning Fund Balance	\$24,968,056	\$23,733,253	\$22,473,754	\$22,775,770	\$23,083,825	\$23,398,041
Revenue	\$155,559,240	\$158,670,425	\$163,430,538	\$166,699,148	\$170,033,131	\$173,433,794
Expenditures	\$156,794,043	\$159,929,924	\$163,128,522	\$166,391,093	\$169,718,925	\$173,113,293
Ending Fund Balance	\$23,733,253	\$22,473,754	\$22,775,770	\$23,083,825	\$23,398,041	\$23,718,542

FY 2013 Budget Process

Fauquier County's Fiscal Year 2013 begins on July 1, 2012 and ends on June 30, 2013. The County initiated its budget process in September 2011 with a formal budget kickoff. The County Administrator held meetings with individual departments to discuss their submissions in December and January. The Board of Supervisors was fully engaged in the budget process, providing preliminary direction through its Finance and Facilities Planning and Implementation committees.

The FY 2013 Proposed Budget was presented to the Board of Supervisors on February 23, 2012. The Board conducted a series of work sessions and a public hearing in March, culminating with the adoption of the FY 2013 Adopted Budget on March 28, 2012.

Date	Action
September 28, 2011	FY 2013 Budget Kickoff.
November 4, 2011	FY 2013 Budget Submissions to Management & Budget.
December 12, 2011	Superintendent's Proposed Capital Improvement Program Presented to School Board.
January 20, 2012	County Administrator's Proposed FY 2013-2018 Capital Improvement Program Presented to Planning Commission and Board of Supervisors.
February 13, 2012	Superintendent's Proposed FY 2013 Operating Budget presented to School Board.
February 23, 2012	County Administrator's Proposed FY 2013 Budget Presented to Board of Supervisors.
March 6 – 27, 2012	Board of Supervisors' Budget Work Sessions.
March 15, 2012	Board of Supervisors' Public Hearing on FY 2013 Proposed Budget, Capital Improvement Program, and Tax Rates.
March 28, 2012	Board of Supervisors' Adoption of FY 2013 Budget, Tax Rates and Capital Improvement Program.
April 23, 2012	FY 2013 School Division Final Appropriated Budget Adopted by School Board.
July 1, 2012	Beginning of FY 2013 and Implementation of FY 2013 Adopted Budget.

Fund Structure and Uses

Fauquier County's budget is organized on a fund basis, with each fund considered a separate accounting and reporting entity. Fund types consist of the Governmental Funds (General Fund, School Division Operating Fund, Capital Improvement Fund, Debt Service Fund, and Non-major Governmental Funds) and the Proprietary Funds (Fleet Maintenance, Landfill, Airport and Health Insurance).

Governmental Funds

Governmental funds are accounted for using modified accrual accounting and are budgeted on the same basis. Under modified accrual accounting, revenue is considered available when deemed collectible during the current period. Similarly, expenditures are recorded at the time liabilities are incurred. The modified accrual basis is consistent with generally accepted accounting principles (GAAP).

Most of the County's financial activities are financed through the governmental funds. The County's budget contains eleven distinct governmental funds. These funds embody appropriation decisions regarding the allocation of resources among programs and expenditure type (personnel, operating, capital, and debt service). Some of the funds are attached to specific revenue sources and designated for a specific purpose, while others are more wide-ranging. Each fund is specifically reviewed and appropriated by the Board of Supervisors during its annual budget process.

The following funds are categorized as governmental funds:

General Fund

The General Fund is the primary operating fund for all non-education governmental activities. The General Fund is supported by a combination of local tax revenue, fees, charges for service and outside grant funding. Most other governmental functions, such as education, are supported by a transfer from the General Fund.

School Division Operating Fund

The School Division Operating Fund is the primary fund for all education-related governmental activities. The majority of revenue to the School Division Operating Fund comes from a transfer from the County's General Fund. In addition, the School Division Operating Fund is supported by aid from the State and Federal governments, as well as various charges for service. The School Board has direct control over the allocation of resources within this fund, as well as the non-major educational funds. The Board of Supervisors provides a lump sum appropriation to the fund to finance the School Division's operations.

Capital Improvement Fund

The Capital Improvement Fund provides for the acquisition, construction or total replacement of physical facilities using a combination of cash funding and debt financing. The Capital Improvement Fund, along with the Utility Fund, provides the mechanism for implementing the Board of Supervisors' adopted Capital Improvement Program.

Fund Structure and Uses

Debt Service Fund

The Debt Service Fund was established in FY 2011 to provide for the payment of debt service on municipal debt issued to construct facilities. The Debt Service Fund is appropriated by the Board of Supervisors as part of the annual budget process, representing the long-term financing costs resulting from the policy decisions made by the Board of Supervisors and the School Board as expressed by the Capital Improvement Program.

Non-major Governmental Funds

This category consists of funds that are dedicated for a specific purpose and generally minor in scale compared with the larger major governmental funds. The Non-major Governmental Funds category includes the following:

1. Affordable Housing Fund – This fund supports the County’s efforts to increase opportunities for work force housing. The Affordable Housing Fund is supported by a transfer from the General Fund.
2. Ambulance Revenue Fund – This fund was established by the Board of Supervisors in FY 2008 to implement the County’s ambulance revenue recovery program. Revenue generated from the County’s ambulance fee supports career and volunteer emergency medical service expenses.
3. Asset Replacement Funds - The asset replacement funds were established by the Board of Supervisors in FY 2011. The County maintains separate asset replacement funds for the General Government and the School Division. The Asset Replacement Funds provide for the financing of major maintenance and systems replacement, renovations and major asset replacements, principally through the accumulation of cash funding and various grants.
4. Conservation Easement Service District Fund – This fund was established by the Board of Supervisors to administer the County’s purchase of development rights program. The PDR program is funded by a dedicated real estate tax levy.
5. Volunteer Fire and Rescue Association Fund (VFRA) – This fund supports expenditures for the County’s volunteer fire and rescue system. The VFRA Fund is supported by a dedicated real estate tax levy. Revenue from the levy is transferred to volunteer companies to subsidize the cost of operations and to the Capital Improvement Fund to support ongoing facility improvement needs.
6. Non-major School Division Funds – The School Nutrition Fund, Textbook Fund, and Regional Governor’s School have been established as separate entities for accounting purposes, and are subsidized by a combination of outside grants, fees and a transfer from the School Operating Fund.

Fund Structure and Uses

Proprietary Funds

The proprietary fund category includes four funds that either account for specific self-funded business enterprises or the provision of internal services to other governmental units. The proprietary funds employ a full accrual accounting method, where revenue is recognized on the date of occurrence and expenditures in the accounting period during which a liability is incurred. All proprietary funds are reviewed and appropriated by the Board of Supervisors during the annual budget process. The following funds are categorized as proprietary funds:

1. Internal Service Funds – Internal service funds are used to account for goods or services provided by one department or agency to another governmental unit on a cost reimbursement basis. The County maintains two internal service funds: Fleet Maintenance and Health Insurance.
2. Enterprise Funds – Enterprise funds house activities that are financed and operated as self-supporting activities. The County maintains enterprise funds for the landfill and the Warrenton-Fauquier Airport.

County Fund Structure				
Fund Name	Major Governmental Funds	Non-major Governmental Funds	Internal Service Funds	Enterprise Funds
General Fund	✓			
School Division Operating Fund	✓			
Capital Improvement Fund	✓			
Debt Service Fund	✓			
Affordable Housing Fund		✓		
Ambulance Revenue Fund		✓		
County Asset Replacement Fund		✓		
School Division Asset Replacement Fund		✓		
Conservation Easement Service District Fund		✓		
Volunteer Fire & Rescue Association Fund (VFRA Fund)		✓		
School Division Nutrition Fund		✓		
School Division Textbook Fund		✓		
Regional Governor's School Fund		✓		
Fleet Maintenance Fund			✓	
Health Insurance Fund			✓	
Landfill Enterprise Fund				✓
Warrenton-Fauquier Airport Enterprise Fund				✓

Fund Structure and Uses

Basis of Budgeting

Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles, as applied to governmental units. Annual appropriation resolutions and budgets are adopted for the governmental and proprietary funds discussed in the preceding section. Governmental accounting activities are directed toward ensuring effective expenditure control and budgetary compliance. All appropriations are legally controlled at the department level for the General Fund and County proprietary funds, while School Division funds are appropriated at the fund level and allocated by the School Board. All annual appropriations, aside from the Capital Improvement Fund, County and School Division Asset Replacement Funds, and the Utility Fund, lapse at the end of the fiscal year. The annual appropriations resolution also specifies that grant appropriations and certain projects may be continued into the following year until the expiration of the grant or completion of the project. Consistent with State requirements and County policy, the Board of Supervisors adopts an annual budget that balances overall expenditures with projected revenue. The County employs the same financial principles for budgeting and accounting purposes.

Budget Process

The Board of Supervisors adopts an annual appropriations resolution that sets the funding levels for each fund. The Board's fiscal policies authorize the County Administrator to approve transfers of appropriations and estimated revenues between departments and agencies as long as aggregated appropriations or estimated revenues at the fund level do not change. Approval by the Board of Supervisors is required for changes to aggregated appropriations or estimated revenues.

Changes to appropriations are accomplished through the budget adjustment process. Budget adjustments that do not revise overall appropriations are approved by the Director of Management and Budget and the County Administrator, subject to sufficient justification. The County Administrator submits budget adjustments that change appropriations or estimated revenues at the fund level to the Board of Supervisors' Finance Committee for consideration. The Board of Supervisors takes action on budget adjustments subject to the Finance Committee's recommendation.